

Deficit Reduction

Q. Mr. President, why do you feel you have to make this guarantee on deficit reduction?

The President. I just think it will help to reinforce the commitment that we already have: no taxes without spending cuts; all the taxes go to the deficit. I think that's what we ought to do. That's the way we set it up. Now we'll just put it into the law. It will be even better.

Q. What effects do you think it will have on Congress?

The President. It's consistent with what I did as the Governor at home, too. When I raised

money at home for education, we put it into education, and it can only be spent on that.

Q. Is it a compromise?

The President. Gosh, no. It makes it better. I mean, I don't know who—compromise—I don't know if anybody's against it. But I think it's the right thing to do.

NOTE: The exchange began at 11:40 a.m. in the Rose Garden at the White House. A tape was not available for verification of the content of this exchange.

Remarks at Cooper Union for the Advancement of Science and Art in
New York City

May 12, 1993

The President. Thank you very much. It always seems to be a good thing for me when I'm introduced in New York by Governor Cuomo. [Laughter] I must confess to having mixed feelings as I sit on this revered stage with all these distinguished citizens. And President Iselin made his eloquent remarks and then your fine Mayor spoke so forcefully, and the brilliant chairman of the Senate Finance Committee brought us back to Woodrow Wilson. And then Governor Cuomo once again gave me a hard act to follow, and they all left the stage. I thought to myself, pray this is not a metaphor for the battle ahead.

This is the second thing I have had in common with President Wilson. I received a fascinating letter the other day from Johnston and Murphy, the shoe manufacturers from Nashville, Tennessee. They have made shoes for every President going back to the 1850's, so they made a pair of shoes for President Lincoln. And they send you a little catalog, and you pick the shoes you want, and they send them to you with your name in them. It says "Johnston and Murphy—every President served." And so I ordered these rather simple plain black shoes, and they wrote me this wonderful letter in which they said, "We're from Nashville, Tennessee, and we know what's in your heart. So here's an extra pair of shoes." And they sent me a box of blue suede shoes. [Laughter]

And then in the letter they recounted the choices of all the previous Presidents. And they

said that in one way my choice was not particularly innovative, that five other Presidents had chosen the same style I did, including Harry Truman, which made me very proud. But they said, "You do have the biggest feet of any President since Woodrow Wilson." [Laughter] So you had two sets of big feet here from the Presidents.

President Wilson said in an address that Senator Moynihan quoted: "I have been dealing with young men most of my life"—he wasn't so gender-sensitive as he should have been—"and one of the things I have tried most to impress upon them is not to stay young too long, but to take themselves seriously." Now at one level I want us all to stay young forever, but I do think the time has come for us to take ourselves and our purposes more seriously. This celebrated institution and the community of scholars and activists it embraces is the result, as President Iselin said, of Peter Cooper's determination more than 130 years ago to create an institution intellectually vigorous with free tuition, the first nondiscrimination policy in American history, and a genuine commitment to social justice. He believed you could do more than one thing at a time. [Laughter]

Here Mr. Lincoln asked our country to confront the cost of the spread of slavery, to ask hard questions about the conditions that had plagued our Nation since its beginning. Remem-

ber it was Thomas Jefferson, not Abraham Lincoln—Thomas Jefferson the slave owner—who said, “I tremble when I think of slavery to consider that God is just.” There were people who knew in their hearts the truth but had denied it a long time.

Lincoln said that to continue to do that threatened to tear our country apart. He knew the Nation would be destroyed if slavery spread and that unless the country’s drifting stopped, the very drift would carry within it the seeds of our destruction. And so, here at Cooper Union he asked those hard questions and gave strong answers. Soon after, he won the nomination of the fledgling Republican Party and went on to win the Presidency by only 39 percent of the popular vote, receiving virtually no votes south of the Mason-Dixon line. Soon after that, the war came, and Lincoln’s fight for the Union grew into a determination to abolish slavery.

Several days a week I walk alone into the room in the White House where Abraham Lincoln signed the Emancipation Proclamation and try to remember the purposes of the United States of America. The fight for the Union and the fight against slavery cost Abraham Lincoln his life, as well as the lives of hundreds of thousands of his fellow countrymen. But America prevailed in form and spirit. And America has endured in form and spirit because in times of crisis and challenge, leaders have asked the hard questions and given the strong answers. And the American people have rallied.

Look at the condition of America today. How can we avoid asking those questions? To be sure, we are still the strongest Nation in the world politically, economically, and militarily. To be sure, more than anyone else in the world we have accommodated the incredible diversity of our land with remarkable harmony. When you look at what is happening, the heartbreak in the former Yugoslavia today, where there are three ethnic groups that genetically have no ethnic differences at all but call themselves ethnically different solely because of the accidents of religion and history, it is an incredible tribute that in this country, in this great city and across the country in Los Angeles and in all places in between, that we live together as well as we do with our diversity.

But still we cannot avoid the hard questions. If we’re so great, why are most middle class families working longer hours today than they were 20 years ago for wages that in real terms

are less than they were a decade ago? Why are one in 10 of our people so impoverished they’re on food stamps? Why are over 8 million of us out of work if we’re in the 17th month of a recovery? Why are there over 35 million of us without health care and millions more Americans terrified of losing their health coverage, with 100,000 Americans a month losing their health insurance, and millions of others who can never change jobs under the current system because they or someone in their family has been sick and so they have a preexisting condition which makes them unemployable with health insurance elsewhere?

Why? Why that half the people on welfare not get off of it as a safety net after just a few months? Why is there a whole class of new poor people, mostly young women and their little children, many of those children never born into an integrated family? Why? Why was—only 35 years ago, only 35 years ago—there conditions even in New York City in which there were three police officers on the street for every violent crime, and today there are three crimes for every police officer?

Why does the Government fail to deal with the problems that this age has brought to us and engaged the American people in dealing with them? Why have we seen the Government’s debt grow from \$1 trillion to \$4 trillion in the last 12 years, while we reduced our investment in the people of America and their promise and their ability to compete? Why in the world would we reduce all this defense spending, including jobs for engineers and scientists and factory workers, with no plan whatever to put that money back to work to create opportunities for them, cleaning up the environment or exploring the frontiers of technology here at home or helping us to compete with people all around the world?

The American economy finds itself in the middle of a global marketplace, challenged on every hand by nations who have made wise investments in their people, their workers, and their technological edge. Yes, there is today a global recession which is making our problem more difficult. But if you take the long view, those who have made the investments in the eighties and those who are doing so now will be rewarded over the long run. For a decade or more, we have both expanded our debt and reduced our investment in areas key to our future.

We also have in this country a crisis of belief and hope. When President Kennedy took office, younger than I was when I took office, over 70 percent of the American people fundamentally believed that their leaders would tell them the truth and that their system could succeed. Now it seems as if half the people just stand around waiting to be disappointed, waiting to be told what's wrong and who's failed and how the special interests once again have strangled the national interests and why they should go on about their business without believing things can be different. I believe that the nature of our challenge is this: We must both restore our economy and restore the confidence of our people in our democracy. And I do not believe we can do one without the other.

This is a strange and, in a way, wondrous moment in our history when citizens everywhere desperately want things to change but still are wary of it and reluctant to place their faith in anyone's prescription. We must begin with the economy. We must change the way the Government works if we expect the economy to improve. And we must rebuild the confidence of the American people based on the three words which were the watch words of my campaign for President: more opportunity for all, more responsibility from all, and the clear understanding that we are a community and we're all in this together, going up or down together. Whether we like it or not, that is clearly the truth. And we must begin to act as if it were.

How can we reduce the deficit? Let's start with the big problem of the debt. Well, the answer is not popular. To reduce the deficit you have to reverse what produced the deficit. What produced it? Tax cuts and spending increases. Doing what people like. The most popular thing in the world is for me to cut your tax and write you a check. And that was what was done by Government for the American people for 12 long years. I'll cut your tax and I'll write you a check—that's a good deal. It used to be known as a free lunch when I was a kid.

We have to begin to reverse this process. And because Government has been at fault, first you should ask Government to change. So I have asked in Washington that we begin with significant spending cuts below the budget that was adopted last year to reduce the deficit and to free up resources for targeted investment in the future of our economy and of the young people here present in this hall.

We should look at every program for possible savings, including ones that Democrats have favored for a long time. And there should be no tax increase, not a dollar, without the spending cuts. That is the meaning of the budget resolution that was passed a few weeks ago in record time. It contains the largest deficit reduction proposals in history, over \$500 billion in deficit reduction over a 5-year period with more than 200 very specific cuts in programs. Those were tough to make, but necessary in the face of a \$4 trillion debt that will continue to grow until the deficit itself is reduced to zero.

That deficit is robbing us of our ability to invest in our future. More and more of our money just goes to pay interest on the debt. If we don't change it, by the end of the decade over 20 cents on every dollar you pay in taxes will go just to service the debt. Now, that is also a redistribution of wealth away from middle class taxpayers to the upper income people who hold the debt, instead of to invest in the jobs and the education and the infrastructure of the future of New York and the rest of America.

We made cuts in Medicare, a thing that is difficult to do. We asked upper income Social Security recipients to pay tax on more of their incomes, a thing that is difficult to do. In spite of the fact that I value public service greatly and I believe public employees too often have been used as whipping boys for the difficulties and frustrations of the moment, still I asked the public employees of the United States of America to have a pay freeze for a year and to keep their wage increases below inflation and cost of living allowances for each of the next 3 years.

I come from a rural State, heavily electrified by the Rural Electrification Agency, but I asked that the subsidies to the REA be reduced. I asked that certain programs that benefit cities but that don't have the accountability of the normal budgeting process also be reduced. All these were not easy. But it seems to me essential, if we're going to ask the American people to sacrifice, that the Government take the lead and show the way.

We're also fighting, however, to do something no Government has done before, to both reduce the deficit and increase targeted investments in areas that are designed to secure the future of this country, in the ones Governor Cuomo mentioned: in Head Start; in the program to

get children off to a healthier start in life with immunizations and nutrition; in better programs for apprenticeship training for our work force; in opening the doors of college education to all Americans through reforming the student loan process and a program of national service; in new incentives for our industries to develop new technology. These are things which other countries do as a matter of course and take for granted and which lead to huge increases in productivity. The case for them should be plain in America once inessential spending has been cut.

The cuts, however, must be credible. And credibility is difficult to come by in Washington today. They must be legally enforceable. They must be plain to the American people. After 12 years of rising deficits and Americans feeling deceived about the issue, I don't blame the people of this country for being distrustful about what they hear from Washington when it comes to bringing down this deficit. That is why I have decided today to propose that we establish a deficit reduction trust fund and put every penny of new taxes and the budget cuts proposed in my budget into the trust fund so the American people know that it has to go to deficit reduction.

There are several members of the New York congressional delegation here today. I thank them all for being here, and I thank especially Congressman Schumer for his leadership on this issue. I thank Senator Moynihan for his support of this issue. Senator Moynihan said on the way up here that he thought we ought to do it to win a victory for the clarity of our determination to reduce the deficit. Senator Bradley had an op-ed piece in the paper today endorsing the idea. The time has come to prove that when we say we're going to do something with the people's money, we actually do it.

Let me repeat what this means. We will create a trust fund in which every dollar that is raised will go to deficit reduction and in which all the net budget cuts which have been approved will do so also. This is very important. This seriousness, however, should not relieve us of our obligation to recognize that over the long run we must also bring down the investment deficit in this country. I am as dedicated to that as I ever have been. I know that long-term economic growth depends on high-quality and comprehensive education and training, converting the workers and the investments from

defense that is being cut to new technologies which must be increased, establishing new and innovative partnerships with the private sector and, as I said earlier, opening the doors of college education to all Americans. But bringing the deficit down will give us the freedom to do that.

This budget saves, as I said, about \$500 billion. And the trust fund will ensure that we do just that. It will be a change in the way Washington does business. It has broad support. But I also want to emphasize that it will only confirm the direction on which we have embarked. The financial markets here in New York have already understood the seriousness of this administration. Look what's happened to long-term interest rates just since the election, just since the election: mortgage rates at a 20-year low, many other interest rates at record lows. All the analysts say that if this can continue a few more months in this period, we will see about \$100 billion freed up for investment in America through people refinancing their home loans and business loans and taking out car loans and consumer loans at lower interest rates. This is a job stimulus program that is big and important. And bringing the deficit down so that the huge overhang of private and public debt of the 1980's can be refinanced is a great strategy to begin the economic renewal of America, and we must stick with it.

More can be done. But to do more we have to actually rethink the whole way the Federal Government operates: How does it operate on its own terms? How does it relate to the States and the private sector? I asked the Congress to give me some more money for technology so I could run the White House with many fewer people than my predecessors had. I asked that we have a 14-percent across-the-board cut in the administrative costs of the Federal Government over the next few years: 100,000 reduction in the payroll by attrition, over \$9 billion in savings simply by administrative changes alone. But that is just the beginning.

I have also asked Vice President Gore to head a task force which will reexamine every agency of the Federal Government, every program of the Federal Government, and the whole way it is organized. Every major company in America had to go through a wrenching reexamination process in the 1980's. The Federal Government had many of its Departments cut, but the way it operated continued to be largely unexamined.

It is time that we impose the same sort of reexamination process on the National Government. When we do it, we will find more savings, and more importantly, we will increase the quality of service to the American people.

Finally, I want to compliment the House of Representatives last week on passing a bill with the mind-boggling title of “enhanced rescission.” But when you strip it away, what it amounts to is a modified line-item veto, which is enjoyed by most Governors and which will enable the President to strike out spending items that he believes are unnecessary but will give the Congress the freedom to put them back in after voting on them individually so, that the people can make their own judgment and so can the Members of Congress.

These things will make the Federal Government more efficient and will set us on the path to long-term reform. We ought to also think about our partnership with the private sector and our partnership with State and local government. Mayor Dinkins mentioned it. I was gratified to see a couple of mentions in the press recently about the fact that our administration had tried to give cities more relief from unnecessary regulations and States more leeway in promoting various kinds of reform in health care. I just told Governor Cuomo that I was very excited about the health care reform package that he put forward in New York, and Hillary’s task force has been very much influenced by the New York reforms.

We believe that a lot of the problems of America can be solved by cities and States if the National Government will have targeted investment and then will give people their head to do what they know needs to be done. You’d be amazed how many programs have quite a bit of money in them, but most of the money, or a great deal of the money, never reaches the ultimate beneficiaries at the State or the city level because of all the layers in between. You’d be amazed. I was in Chicago a couple of days ago, and the Mayor of Chicago told me that there are one or two programs that his staff wouldn’t even let him try to get for Chicago because the administrative hassle of securing the funds was so great. We’re going to change that. We’re going to have a new and different and vibrant process that trusts the people of New York and their elected leaders, and the State of New York and their elected leaders, and people throughout the country to have real

innovation in the same way that I think we want in the private sector in the United States. But finally, let me say—[applause]—the Mayor, the lone clapper.

We also have proposed to change the relationship between the Government and the private sector in a tax reform package that Senator Moynihan will soon take up if it passes the House, and I hope it does. There will be significant incentives for businesses, large and small, to increase their investment in this country and to be rewarded for it. We will have initiatives that will empower neighborhoods and give people significant incentives to go into neighborhoods in small towns and rural areas and in big cities to put real investment there to create real jobs. We’ll provide people real incentives to end welfare as we know it and require them to move forward with that. We will do things that are different from what either party has done before to try to empower people to live up to their God-given potential in a new and different partnership between the United States and people in the private sector.

When you strip it all away, there’s still one more tough question that has to be answered. If you want the deficit brought down, we have to face the fact that in 1981, taxes were cut by 6 percent of the national income of this country, twice what President Reagan originally recommended when he was elected President. And that gap has never been made up.

David Stockman, President Reagan’s Budget Director, has an interview in a magazine called the *New Politics Quarterly* this month in which he says, “I don’t agree with all of President Clinton’s spending plan, but at least he’s telling the truth. You cannot fix the deficit without a tax program, because we cut taxes more than twice as much as we proposed to do it when we came in. We got into a bidding war. We got carried away. What we did was irresponsible. And then all the politicians since then never had the stomach to tell the American people the truth. And it was just more fun to cut taxes and pass out money than to do the reverse.” Now, that is the hard truth.

I really believed in the campaign that we could raise revenues modestly on upper income people, close some corporate tax loopholes, and do some other things, do the spending cuts, and bring the deficit down. After I was elected, the Government announced that the annual deficit was going to be \$50 billion a year bigger

in 3 of the 4 years that I would serve as President, \$50 billion a year bigger, and \$15 billion bigger in the fourth year. And it became clear to me that under those circumstances we could not begin by cutting anyone's taxes; that we ought to have a responsible, balanced energy tax and that most of the tax burden should be borne by those who had their taxes lowered in the eighties while their incomes went up, people in higher income groups; but that we ought to have a balanced and fair package, not to "soak the rich" but to share the burden, to try to say this is our job.

And so I say to you, yes, I will put this money in a trust fund, but that does not mean the money does not have to be paid. If you want the interest rates to stay down, if you want the profits of lower interest rates, you must undergo the pain of the spending cuts and the tax increases, because that's the only way to really bring the deficit down.

Now, the question is, are we going to do this, or not? Are we going to do this, or not?

Audience members. Yes, we are.

The President. I think we are.

There are some who say no. Today in Washington there are 80,000 lobbyists. It's a growth industry. I'll guarantee you one thing, I created some jobs since I got to be President.

But the Congress is now dealing with two bills which will help to reform the way our politics work. They just passed the motor voter bill, something young people of America really wanted and which I'm very proud of, which I hope and pray will continue the trend of increased voter participation. But now Congress is dealing with two tough other issues. The United States Senate passed last week a bill—finally, believe it or not, in the year 1993—finally requiring everybody who actually lobbies them to register as a lobbyist and requiring that the gifts that they give to Members of Congress or the expenditures they make on trips or whatever all be reported. Believe it or not, they weren't done before now. The Congress passed that with only two dissenting votes—the Senate did. The bill is now going to the House.

In addition to that, last Friday I proposed a comprehensive campaign finance reform law which will lower the cost of congressional campaigns, reduce the influence of political action committees, and open the airwaves to challengers as well as incumbents for more honest debate. It is a tough, good bill. If we can pass

these bills, they will help to open the system too.

People are full of hope now. We've received in 3½ months more letters than the White House got in all of 1992. If you haven't gotten yours answered, I hope you'll be patient. We've got over 200 volunteers coming in just to open the mail and trying to sort it and read it. But it is a wonderful reaffirmation, the critical and the complimentary and support letters alike, that Americans really want their system to respond to them again. And we must do that.

If the first issue is the economy—or in the vernacular of my old campaign sign, "It's the economy, stupid"—that means deficit reduction, investment for jobs and technology, and education. It means controlling health care costs and dealing with that crisis. I should tell you that no matter how much we reduce the deficit in the next 5 years, it will go right back up again if we don't address health care costs, because that's the fastest growing part of the Federal budget deficit.

It must include all these things, as well as political reform and changing the way Government works. And change is hard. It doesn't happen overnight. You have to do what Lincoln did: Ask hard questions, give strong answers, and hope the American people rally.

We can move forward. We can have a whole new partnership in this country, one that goes beyond the things that normally divide us, beyond the dividing lines of party, of race, of gender, of region, of income. We can do that. Ideas and energy can replace drift and delay. We can grow in wealth and wisdom and liberty.

But this requires more than good ideas and more than political energy. If I may say, if you don't remember anything else I say, I hope you'll remember this: The human condition in the end changes by faith. And faith cannot be held in your hand. The Scripture that I carry to my place of worship every Sunday says, "Faith is the assurance of things hoped for, the conviction of things unseen." But make no mistake about it, it is by far the most powerful force that can ever be mustered in the cause of change.

Today we are seeing too much cynicism and too little faith, an obsession with the moment, an obsession with the politicians and their wins and their losses, an obsession with blame and division, an obsession with paralysis, an obsession with always pointing out the pain of change

and never embracing its promise. Without faith, in the end we always wind up resorting to the easy and the immediate: Tax the other guy; cut that other program, not mine; wait for somebody to deliver the goods to me, or wait for it not to happen till I can blame somebody else for what didn't.

But faith changes all that. Lincoln's cause in 1860 was to keep our house from dividing. Our cause today is to put our house in order. If "a house divided against itself cannot stand," surely a house in disarray will not provide shelter and a home. Surely a house where problems are denied or blamed on someone else in the next room can never be a home for America.

To preserve the American dream in our time and for your future, yes, our leaders must ask tough questions and give strong answers. But people must rally to the cause of change with faith. We have to believe again, believe through the "frustrations and the difficulties of the moment," as Martin Luther King characterized

them, believe through the inevitable rocks in the road to the ends of the journey. We must believe through the smallness and the spite that conflict always brings out in all of us. We must believe through that, to the spirit and generosity and courage that is America at its essence.

Mr. Lincoln closed his Cooper Union speech with the following words: "Let us have faith that right makes might, and in that faith, let us to the end dare to do our duty as we understand it." My fellow Americans, our clear duty is to revive the American dream and restore the American economy. And for as long as it takes, with energy and joy and humility, let us dare to do that duty.

Thank you very much.

NOTE: The President spoke at 3:50 p.m. at the college. In his remarks he referred to Jay Iselin, Cooper Union president; Mayor David Dinkins of New York City; and Senator Daniel Patrick Moynihan, Senate Finance Committee chairman.

Remarks at the Democratic National Committee Presidential Gala in New York City

May 12, 1993

Thank you very much. To Bruce and to Lew, and to all of you, I've had a wonderful time tonight. These lights are so bright. I only know half the people I've shaken hands with. It has been a wonderful time. I want to thank all the people who made this dinner possible, and I want to thank the wonderful entertainment. The choir was terrific. The group doing all the wonderful old songs from Dionne Warwick in the sixties were magnificent.

I was delighted to see Barry Manilow again in such wonderful voice, and grateful for his many contributions to our common efforts. I appreciated Phil Hartman saying he voted for me, but it's not quite enough for all the abuse I've put up with in advance. *[Laughter]* And I want to say to my friend, Whoopi Goldberg: Mayor Dinkins has a telephone call for you over here if you will go over and get it. *[Laughter]*

Ladies and gentlemen, all of you who made this night possible—Lew and Bruce, Bob Rose and the other committee members, Bob Barrie, Bill Boardman, Paul Montrone, George Nor-

cross, Felix Rohatyn, Ann Sheffer, John Sweeney, and Steve Swid, thank you all. Thank you, Roy Furman. Thank you, David Wilhelm.

A lot of you were here with me a long time ago. I remember once, more than a year ago, when I came to New York and there were hundreds of people here in a hotel for a fundraiser for me. I was dropping like a rock in New Hampshire. All those experts said I was dead. I hear their call again. *[Laughter]* People who couldn't see the long road and didn't want to think of the fight as something that was bigger than any person were all preoccupied. And I just couldn't believe all these folks were even showing up for a dinner in New York. It was so dark in the campaign, I thought, well, people will go ahead and send their checks and then stay home. I imagined going into this vast ballroom and making a speech to eight people.

And I was feeling pretty sorry for myself, frankly. And I told this story many times, but a man stopped me in the hall who was working at the hotel and said that he was a Greek immi-